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AUTHOR Berglind, Hans
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ABSTRACT

This document contains the bases of lectures delivered in Florida by a visiting Stockholm University sociology professor. The first chapter, "Growing Old in Sweden," includes information on the income, standard of living, and quality of services available to the elderly in that country. That information is presented within the changing context of the responsibilities of family, community, and state. A six-item bibliography accompanies the first chapter. The second chapter, "Older Workers and the Labor Market in Sweden" addresses older workers and the labor market. Special attention is given to the contrasting trends in labor force participation rates between male and female adults, the issue of what explains variations in early retirement rates, and governmental policies that impinge on older adults' labor force participation and their "decision" to retire early. This chapter includes six references. The third chapter, "Pension Policy in Sweden," explains the pension policy and summarizes its history and recent evolution. Among the issues discussed is the affordability of adequate pension benefits at a time of challenging demographic and economic developments. Six references are included in the third chapter. (CML)

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GROWING OLD IN SWEDEN

by

Hans Berglind

Professor, School of Social Work

Stockholm University, Stockholm, Sweden

INTERNATIONAL EXCHANGE CENTER ON GERONTOLOGY
at the UNIVERSITY OF SOUTH FLORIDA
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INTERNATIONAL EXCHANGE CENTER ON GERONTOLOGY

University of South Florida
P.O. Box 3208 Tampa, Florida 33620
(813) 974-3468

THE ORGANIZATION AND ITS MISSION

The International Exchange Center on Gerontology is an organization of centers and programs for gerontological research and teaching in both public and private universities throughout Florida. The University of South Florida is the headquarters or "host institution" for the IECG. The Center is new, having received its permanent funding in 1982, and operates under a Director and an Advisory Board of representatives from the participating universities.

The purpose of the IECG is to make available to policymakers in the State the best information that can be secured on policies, programs, and services for the elderly. This means collecting and analyzing experiences in such areas as transportation, health care, income security, housing, social services, nutrition, and other subjects that have a significant meaning in the daily lives of our elderly citizens. To carry out this mission, the IECG must communicate with political leaders, program administrators, academic institutions, and with experts in gerontology throughout the United States and the world.

Special attention will be given to program innovations, and to experiences that reveal both strengths and weaknesses in various approaches that have been tried in addressing the aspirations and needs of the elderly. Careful and frank exchange of information, and thorough analysis of policies and programs by policymakers and specialists in higher education offer an opportunity for examination from both theoretical and practical perspectives.

Florida has a unique opportunity for leadership in this field through the Center. Its concentration of elderly persons, and innovative programs like community care for the elderly, demonstrate the possibilities for both give-and-take of experiences. With assured continuing support, a small but highly qualified staff and faculty available in higher education throughout Florida, the IECG can develop a program that will greatly benefit all states. The pressures on state leadership to come up with wise decisions in human services is especially intense under the changing federal emphasis. The initiative is shifting more and more to the states, as federal funding is reduced. Useful information exhange will help state leadership to make increasingly difficult choices among competing priorities for limited funds.

Against the backdrop of a future which will feature exponential economic growth in the State, the influx of growing numbers of persons of working age, and the continuing increase in the number of persons over 60, Florida's policymakers need the best intellectual resources and insights that can be tapped. As a center for collecting, analyzing, and disseminating information of this quality and depth, the higher education community can be of inestimable service to the political and administrative leadership of Florida. The IECG can serve as a vital link between the universities and colleges, and state and local governments.

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FOREWORD

Harold L. Sheppard, Director
International Exchange Center on Gerontology

The three chapters presented here were the bases of lectures in Florida during November and December, 1984, by Professor Hans Berglind of Stockholm University. During that period, Dr. Berglind was a Visiting Exchange Scholar with the International Exchange Center on Gerontology, a consortium of the nine public universities in the state, and the private University of Miami.

Professor Berglind is a sociologist serving as the director of Stockholm University's doctoral program in social work. His previous academic appointments include some years at the University of Gothenberg, and frequent visiting professorships at Case Western Reserve University in Cleveland. He is no stranger to North America, having lectured also in other universities in the United States and Canada. He has published extensively in the broad area of social policy, and more specifically, concerning employment and pension problems.

From 1978 to 1980, he served as the principal investigator for the Swedish component of a multi-country study on the future of retirement age policy, which I directed with support from the Administration on Aging and the German Marshall Fund. It was during this period that I became acquainted with his expertise and insights. The Center is indeed fortunate to have had him as a Visiting

Exchange Scholar. We fully expect that his 1984 visit is only the beginning of a continuing program of reciprocal and mutually beneficial relationships between gerontological researchers, teachers, policymakers, and practitioners in Florida and Sweden.

The three following chapters have to do, first, with the status of the elderly in Sweden today--including their income, standard of living, and quality of services available to them--within the changing context of the respective responsibilities of family, community and the state.

The second chapter deals with Swedish pension policy and is an instructive summary of the history of that policy, and its recent evolution--including a candid discussion of the issue of affordability of quite adequate pension benefits at a time of challenging demographic and economic developments.

The third chapter is about older workers and the Swedish labor market. Special attention is given to the contrasting trends in labor force participation rates between male and female adults, a phenomenon that also characterizes our own country; the issues of what explains variations in early retirement rates; and government policies that impinge on older adults' labor force participation rates and their "decision" to retire early. --HLS

GROWING OLD IN SWEDEN

Someone said: Growing old is not so bad, if you consider the alternative. I suppose most of us would agree. But is it also true that growing old in Sweden is not so bad if you consider the alternative. I mean, is it better to grow old in a welfare state? Some people would probably say that it is better. But the question is rather philosophical. The answer would depend on what things make life good or bad and so it would vary, depending on whom we ask.

Therefore, it would be too pretentious to try to prove that it is better to grow old in Sweden than in some other part of the world. What I can do, however, is to tell you something about old peoples' living conditions in Sweden and then you can judge for yourselves.

1. Introduction

There is a lot of talk these days about a crisis of the welfare state and there are a number of recent books and articles arguing that we may be witnessing the withering away of the modern welfare state. These arguments are not new and I think that an article by Helco and Rein, published in 1973, in its title asked a still very pertinent question, i.e. "What Welfare Crisis?" What I hope to show is that the welfare state, at least as far as Sweden is concerned, is still going strong.

Before going into any details about the living conditions of old people in a welfare state, I would like to explain what ages I am thinking of when I talk about "old people" and also what I mean by the term "welfare state." The first question is the easiest to answer. I shall be talking about people above the age of 65. That is since 1976 the age at which most people start collecting their old age pension and also when the vast majority would have retired from working life (before 1976, the age limit was 67).

The term "welfare state" has been given a number of different meanings. Some use it very generously to denote any state that has any kind of welfare provisions for its citizens. In that sense, also the USA is a welfare state. I use the term less generously and would go along with Furniss and Tilton (1977) when they say, "Only when the end of social organization is welfare for the people can we label it a welfare state." (op. cit., p.5). These authors make a distinction between a "social security state" like Great Britain and a "welfare state" like Sweden meaning that the latter has a higher ambition to achieve a higher equality of living conditions, while the former strives to prevent people from falling below a certain level which is guaranteed by its social security (social insurance) program. So basically a welfare state is a capitalist state, where welfare programs are used to counter balance the inequalities created by the market economy. This is done in two ways. One is by redistributing a person's income from the active to the inactive periods of the life-cycle, but also to redistribute

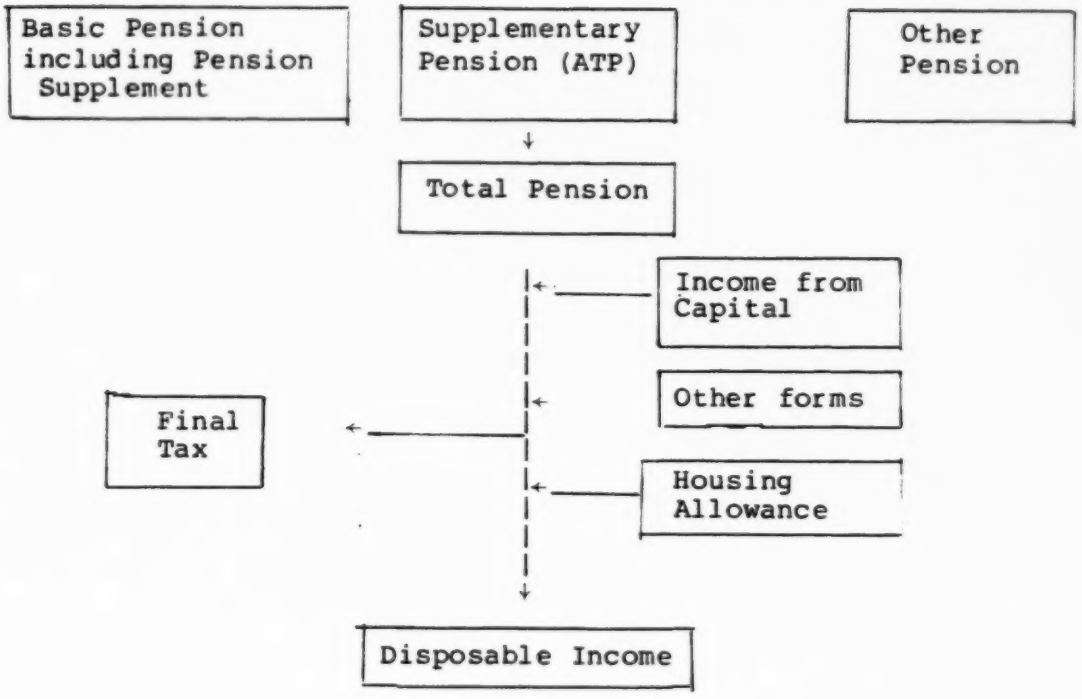
money between people, e.g., from the rich to the poor, in order to make their buying power more equal.

2. The income of pensioners

The income of Swedish pensioners has increased considerably in recent years. This is apparent from a study made by the Swedish Trade Union confederation (LO), but also from the Swedish level of living study. The LO-study presents data for all pensioners in Sweden in the year 1981. The group studies are all pensioners 66 and above. Most people get their pension from 65, but the study includes only those who have received pensions for the whole year, which explains the age limit.

The level of living study is an interview panel study on a representative sample of between 6,000 and 7,000 persons in the age groups 15 to 75 years. Interviews have been carried out at three different points of time, i.e., 1968, 1974 and 1981, which makes it possible to study the changes that have taken place during a 13-year period. We shall also look at some of their results concerning older people. Let us first look at a figure that shows how the disposable income of a pensioner is arrived at.

Figure 1 Different sources of income for Swedish pensioners.



All pensioners at the age of 65 receive a basic pension. Those with no or low ATP-pension also receive a pension supplement. The ATP-pension is dependent on earlier income from work and is thus somewhat comparable to the U.S. Social Security. Most people who have retired in recent years in addition to this, would receive a pension according to a union contract. Some people may also have income from capital or other sources such as an income from work. If a pensioner receives a housing allowance, the size of that allowance will depend on his total income.

The first pensioners to receive a full ATP pension were those who retired in 1980, e.g., after that the pension system had been in operation for 20 years. This means that only the younger among the retirees can have received a full ATP pension in 1981, when the LO-study was made. Men in the age group 66-69 received an average pension of approximately 58,000 Swedish Crowns per year, while the women received approximately 32,000 Crowns. The reason for the difference is that women have not been gainfully employed to the same extent as the men have, and thus have not earned the same amount of pension points that is needed for a high ATP-pension. Older pensioners received lower pensions. The corresponding figures for people in the 80+ population are 31,000 Crowns for men and 28,000 for women, as people in this age group can only have earned very little as ATP-pension.

As the old pensioners, due to their lower income, will get a housing allowance and pay no tax, the differences in disposable income will shrink, so that the younger pensioners (66-69) receive about 50% more on the average in disposible income than the 80+ pensioners. A comparison of the average pensions for former workers and former salaried employees show that the introduction of the ATP-system has had a dramatic effect on equalizing the pensions between these two catagories.

Data from the level of living study show that the total real income of pensioners below age 75 increased by no less than 74% between 1967 and 1980 - the pension part of their income increasing

by 85%. During the same 13-year period the wages of a worker increased by only 19% on the average. There are several reasons for this, the main ones being the before-mentioned growth of the ATP-system, the other the fact that the pensions are related to a price index, while wages are not.

The increase in pensions has contributed to an equalizing of incomes in Sweden in recent years as the pensioners used to fall far behind the income of the working population. In the "good old times" many old people used to apply for public assistance, but nowadays old people apply for such assistance to a less extent than the rest of the population.

3. Changes in the level of living

The income is only one of the social indicators that have been used by the level of living study. Other important areas are health, housing conditions, social contacts, political activity and security.

The population in Sweden, as well as in the other Scandinavian countries, has a high longevity. In 1975 the life expectancy at birth was 72 years for men and 78 years for women. The corresponding figures for the USA was approximately 1-1/2 years below that for both sexes. Since then, life expectancy has increased further; in 1983, the Swedish figures were 79.6 years for women and 73.6 years for men. But there has been a stagnation of life expectancy for men in their middle ages.

Although the life expectancy has increased, most health indicators do not show any improvement in recent years. This may seem

strange because the number of physicians has doubled during these 13 years and the number of people who have visited a doctor during a year has also increased somewhat. In 1981, about 75% of the elderly and 50% of the younger people had seen a physician in the last year. In 1968, a higher proportion of people in the higher social strata visited a doctor while in 1981 more people from the working class had seen a doctor. This is probably a result of increased economic resources among working class people and also among pensioners from this stratum.

Different explanations have been suggested for the fact that the health status of the population has been constant in spite of the expansion of the health sector. One possibility is that it takes a longer time than 13 years to improve the health status. Another possibility might be that the resources put into the health services has been used for increasing wages, shortening the number of working hours and other measures which have not made the care more efficient. A third explanation which has been offered is that the care that is given has improved without resulting in improved health. Finally it is possible that the development of society has been detrimental to peoples' health with an increase in pollution and stress. Had it not been for the increased medical efforts, the health status of the population would have been worse than it is. I don't think that anyone can tell which of these possible explanations that is most correct.

In other areas there has, however, been a considerable improvement. As an effect of the improved economic situation of

pensioners their housing standard has also improved. In 1981, some 70% of the pensioners were judged to have a good or a very good housing standard. Pensioners from the working class actually had a better standard than active workers. It has become more frequent that old people live by themselves. An important question is, of course, if this has led to a growing isolation of older people.

If we count those people who live alone and have little or no contact at all with friends and relatives, we find that figure has remained constant over the years at a little below two percent for the whole population. Among people 55 and above, the figure is higher, e.g., between three and four percent, but without any significant changes. There is, however, a small group of socially isolated people, and it has been found that a great part of them are physically or mentally handicapped. We shall return to the question of social isolation when we have dealt with the social services to old people.

Old people some time fear that they will be victims of some kind of crime and that the risk has increased in recent years. The data from the level of living study from 1974 and 1981 (the question was not asked in 1968) show first of all that pensioners and housewives are less often exposed to crime than the working population. They also show that among pensioners the risk of being victimized <u>decreased</u> rather than increased.

The level of living study has also tried to estimate the number of people in the population who are confronted with one or

more problems of some kind. Examples are such problems as being handicapped, having different kinds of physical or mental problems, having few economic resources, being socially isolated, etc. It is true that people in the age group 55-74 more often have problems than those in lower age-groups, but it is also true that the number of people having problems has decreased considerably. In 1968 it was estimated that 29% of the people in the highest age groups were confronted with three or more problems; in 1981 this figure had dropped to 11%.

In conclusion, I think that the welfare state, at least up until 1981, has been doing very well. The results, even to many Swedes, came as a surprise. There had been so much talk about the difficulties of the welfare state and that things were getting worse. The, then, results showed the opposite to be the case. This makes me think that the welfare crisis is more a part of conservative propaganda spread through the mass-media than it is a real crisis, at least so far.

4. Older people and work

In 1965 about 37% of the men and 11% of the women in the age-group 65-74 were still employed. Fifteen years later, only 14% of the men and 4% of the women in this age group were employed. About 8% of all men and women between 65 and 70 work, and only about 5% of those between 70 and 75.

This decrease in labor force participation means, of course, a great change for many older people, and especially for the men. One reason why it has taken place is the decrease in pension age

in 1976. That year the age at which a person could get his old-age pension, was lowered from 67 to 65. As we have just seen, the pension benefits have increased considerably in recent years and many workers who had to earn their living in the late sixties can now retire on a decent pension.

The question is, however, to what extent people would like to continue working after 65 and to what extent they think that they are now forced to retire at that age.

In a recent study initiated by a Government committee for the study of work possibilities for the elderly (SOU 1983:62) it was found that close to 20% of those interviewed above 65 said that they would have liked to continue working when they got their pension. Other studies have come to similar results. According to the regular labor force surveys, however, the number of people 65-74 who would like to work is much less. This may have to do with the fact that these surveys ask if the person wants to work during one certain week when the interviews are made.

The before mentioned committee also carried out interviews with management and union representatives at different companies in order to elucidate their views and policies on employing older people. The general impression from these interviews was that the question seemed to be of little importance. Very few people had asked for an extension after 65 and the attitudes among employers as well as among union representatives were negative. Interviews with people both just below and above 65 show that many correctly perceived those negative attitudes.

Another very important reason why older people do not continue to work is that they think they should not do it because so many young people are unemployed. Over 70% gave such an answer, among those 55-64 as well as among those 65-74. Most union and management representatives shared this opinion. But even if jobs were available and the attitudes more positive, there are other reasons why most pensioners do not want to work. An overwhelming majority think that the present systems of taxation and economic transfers make it unfavorable to work. Extra income from work above a fairly low level will be taxed at a marginal rate and may also have the effect that a person loses the right to a housing allowance or that this allowance will be reduced.

Those interviewed were asked if they would like to work after retirement in child or old age care programs. Some 30% just below or above 65 said they would be interested. Ninety percent of those interested said they would do it as volunteers and not for an income.

In conclusion, it looks as if the great majority of the pensioners are not interested in gainful employment. Those who might be interested see a lot of obstacles, attitudinal as well as economic. It has thus not been possible to create any flexibility in retirement above 65 as once intended. A certain flexibility exists for people 60-64 who can get a partial retirement pension, but it will probably be very difficult to extend this flexibility to higher age-groups.

5. Services and care for the aged

Primary health care and social services to the elderly are being expanded and restructured. While health care is the responsibility of the county councils, social services are provided by the approximately 280 municipalities. Especially in caring for the aged it is sometimes quite difficult to draw a sharp line between health care and social care. This has created some administrative confusion and a need for better cooperation between the various bodies providing care and service. Models for improving the cooperation have been developed and are currently being tried out.

When visiting a doctor, a district nurse, etc., the social insurance scheme pays the majority of the cost and the patient pays a fee presently about $5 per visit. A private doctor charges slightly more while doctors and physiotherapists who have elected not to belong to the social insurance scheme, charge considerably higher fees. When one buys medicine on a prescription one pays also about $5 each time. Persons buying medicine often or who have to see a doctor frequently can obtain a free pass after a certain number of visits, which means that their total medical expenditure would be maximized at approximately $80 per year.

The hospitals do not charge any patient fees, but the sickness benefits are reduced. People receiving full retirement or disability pension are not, as a rule, required to pay for the first year that they are in hospital, but subsequently have to pay a certain amount of their pension to the hospital.

The emphasis is, however, on trying to keep old people out of hospitals by providing more of health care and social services in their homes. With the new Social Services Act which came into effect in 1982, some guiding principles of old-age care have been adopted. The principle of normalization means that to the greatest possible extent a person should be given the opportunity to live in as normal a setting as possible. It is also stated that each person should be viewed as a whole and all his different needs being dealt with in a single context. The principle of self-determination, which is also emphasized in the New Health Care Act, means that a person's integrity must be respected. Another guiding principle is the one of influence and participation which means that people should not only be able to influence their own personal situation but also have a chance to participate actively in society as a whole. According to the Social Services Act "the social welfare committee shall endeavor to ensure that elderly persons obtain good housing accommodation and shall provide support and assistance in the home and other readily accessible services for those in need of the same."

In line with this, every Swedish municipality provides home help service. This provides the elderly with home help in cleaning, cooking, laundry and other matters. The national government provides a certain subsidy and the person getting the services pays a fee which varies according to his or her income.

Almost 90% of people aged 65 or over live in ordinary dwellings. There are, however, pensioners' dwellings in ordinary

buildings or in pensioners' homes. Other housing possibilities are apartment in service or in old-age residential homes, both being operated by the municipal governments. The fees charged by residential homes are income-related. About 70% of those living in residential homes were over 80 years of age.

Another important kind of service is the municipal transport service as a supplement to the public transportation. This is intended to help people with physical handicaps by providing them with subsidized tickets to be used for paying transportation by taxicabs or other means of transportation.

A study made by the National Board of Statistics shows what proportion of the population that uses different service. Some results are presented in the following table:

Table 1: The relative number (percent) of older people using different kinds of services during a three-month period.

		Home Help	Transportation	Foot Care	Meals Services
Men	65-74	6.9	4.3	5.0	2.7
	75-84	23.6	14.7	15.6	8.5
Women					
	65-74	7.7	6.9	12.4	3.0
	75-84	31.0	27.2	26.7	9.0
Both Sexes					
	65-74	7.3	5.7	9.0	2.8
	75-84	28.0	22.1	22.2	8.8

As can be seen, service utilization increases considerably with age and is much higher amongst women than amongst men.

6. Who cares for the aged?

As we have seen by now, the situation of pensioners has improved in a number of respects. The size of their pensions has increased considerably, their housing standards has improved and the availability of different kinds of public services has also increased.

Does this mean that society has taken over what used to be the responsibility of the family? Does it mean that the children have abandoned their parents and no longer care for them as we sometimes think they did in the so called "good old times?" Some people may think that it is about time that children do more for their old parents instead of having the public sector taking over the responsibilities.

Those who have old parents are usually in the age-group 45-59. Those who have taken care of old people are usually women. Sundstrom has pointed out that the number of available women in this age group relative to the number of old people has diminished drastically. This is true not only of Sweden but also of many other countries. There are not only fewer women in these age-groups compared to old people, many more women than before work outside the home.

Even if fewer old people live together with their children, it seems as if contacts between the elderly and their children have actually increased. Senior citizens who have contact with their

childern take advantage of the home help more often than others. According to Sundstrom (1983) the public home help service supplements rather than replaces help by family members. But, we should not forget that there still is a small minority of old people who actually are isolated, many of whom probably have no children.

The welfare state doesn't seem to have made old people more socially isolated. But, it has made them more independent of other people - for better or for worse.

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OLDER WORKERS AND THE LABOR MARKET IN SWEDEN

1. Introduction

At the end of the 1960's, there was a recession in Sweden. One sign of that was the growing unemployment figures, especially for people in the age-group between 50 and 65. After some time, unemployment went down and everybody seemed happy with the fact that the unemployed were back to work. I happened to look closer at the results of the labor force surveys which are carried out by the Swedish National Bureau of Statistics, and found, much to my surprise that, although the unemployment figures went down, the employment did not rise.

This may need an explanation. The labor force surveys in Sweden, as well as in the USA, divide the population of working age (16-74) into three groups: those who are employed, those who are unemployed and those who are not in the labor force. To be counted as unemployed a person must lack employment and be actively seeking work. Those without an employment who are not actively seeking work do not belong to the labor force. What had happened in this case was actually that the latter category had increased when the number of unemployed decreased. Probably some people had stopped looking for work because few jobs were available. They would then be referred to as "discouraged workers." Another explanation might be that these people had voluntarily decided to leave the labor market because they found alternative means of supporting themselves. I became curious and decided to try to find out why this had happened.

2. Why some people do not work

When trying to explain why some people do not work or why they stop working, one usually points at two possible explanations. One is that they prefer not to work, another is that they cannot get (or retain) a job. There may be more "scientific" ways of saying that, using terms such as "motivation," "employability," etc., but basically the explanations boil down to these two factors: "willingness" and "possibilities." If we combine them we get the following four-fold table[1]:

Want to Work	Can Get Work	
	YES	NO
YES	1. Temporarily unemployed. Not eliminated	2. Unemployed Eliminated
NO	3. Not unemployed Not eliminated	4. Not unemployed Eliminated

Categories 1 and 2 are unemployed because they want to work and can be expected to seek work. The second category has difficulties getting a job as has category number 4. We will refer to them as being eliminated from the labor market. The "discouraged worker" is expected to be in that category. Category 3 is unproblematic as far as their labor market status is concerned. To this category belongs, for example, housewives and students who are not (presently) looking for work.

It can be assumed that a person looking for work without any result finally gives up, which would mean that he moves from category 2 to 4 in our table. This may very well have been the case with those who dropped out of the labor force at the end of the 60's. To the extent that those people left voluntarily - still having the possibility of finding a job - we would expect them to be in category 3. Both explanations have been presented in the debate and we shall return to them after having taken a closer look at what has happened in more recent years.

3. Employment trends in different age groups.

Developments in the Swedish labor market in the latest decades are characterized by two major trends: the inflow of married women into gainful employment and the decrease of employment rates among the elderly, especially among the men. These changes can be studied in more detail in table 1.

Table 1 Relative number (%) employed in 1965 and 1980 among women and men in different age groups.

Women	16-24	25-44	45-64	65-74
1965	60	55	49	11
1980	66	81	68	4
Difference	+6%	+26%	+19%	-7%
Men				
1965	70	97	93	37
1980	68	94	85	14
Difference	-2%	-3%	-8%	-23%

The increase in employment among women has been dramatic, especially in the 25-44 age group. The decrease in employment rate among men is not as great, but quite evident in the two highest age-groups.

If we take a closer look at the age groups below the "normal" retirement age of 65, we find a higher decrease in labor force participation rates of men the closer we get to 65. In the age-group 55-59, the decrease was -.3% per year and in the 60-64 category, it was -.8% per year between 1972 and 1982. For women, there was instead a yearly increase of +1.5% in the category 55-59 and +1.2% for those 60-64 years of age.

The unemployment rates have been somewhat higher for people in this age bracket than among those between 25 and 54 years of age. The difference has to do with the fact that older workers have a much longer duration of employment than those who are younger.

Another interesting trend is the increase of part-time work among both men and women 60-64. Before 1976, only 10% of the employed men worked part-time. By 1982 it had increased to 25%. For women in this age group there has also been some increase in part-time work, but at a lower rate. In 1982, almost 60% of women 60-64 worked part-time, compared to 50% for all employed women. So, even though 46% of all women were gainfully employed in that age group, less than 20% worked full-time.

One reason for the increased number of older people working part-time is the introduction of the partial pension scheme in 1976, which makes it possible for a person to get a part-time

pension if he or she reduces the number of working hours by at least 5 hours per week while continuing to work for at least 17 hours per week.

4. Premature retirement - disability pension.

In Sweden a person can retire prematurely (before the age of 65) for reasons of disability. To get such a pension, his or her work capacity should be reduced by at least half. If this reduction is assumed to be temporary he/she will get a temporary disability pension, otherwise a permanent one. Part-time disability pensions are also available, but are rather rare.

People between 60 and 65 can retire prematurely on the same scheme for "labor market reasons," which means that the chances of getting a job are very limited. If a worker has lost the right to collect unemployment insurance benefits (after 450 days for older worker) and is above 60, he/she is automatically entitled to a pension without being disabled. The majority of people in that age group will, however, not retire for labor market reasons, but because they are incapacitated as far as work is concerned.

The number of people receiving an early pension has increased considerably in recent years. In the mid 60's the number of entrants to this scheme was approximately 20 thousand per year. At the beginning of the 70's, the number more than doubled and has since remained at a yearly level of 40-45 thousand. The increase followed a change in the Social Security Act, which made it easier for workers 60-64 to retire if they could not find a job in the area where they lived. Interestingly enough, the number of pensioners

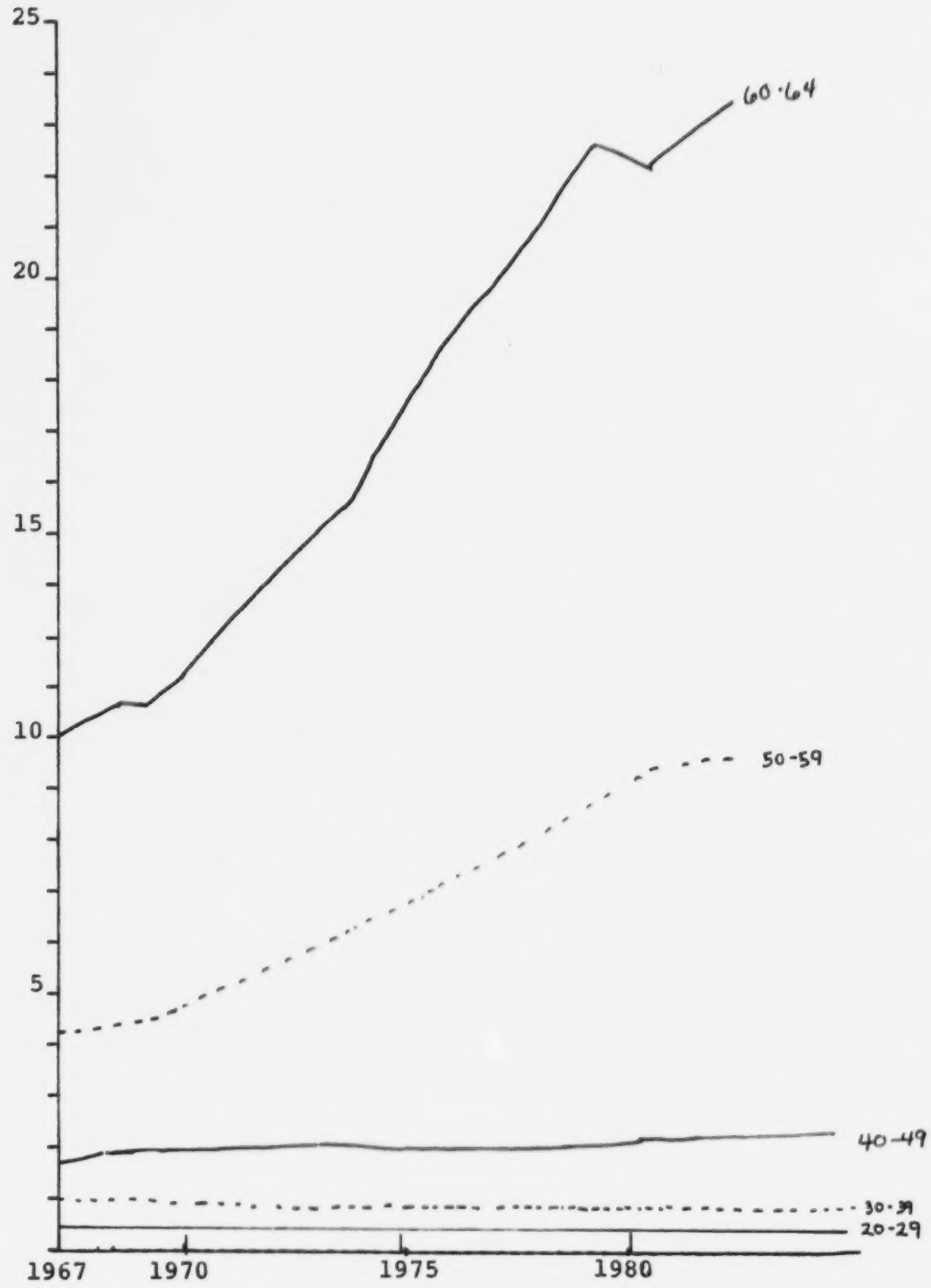


Figure 1 Relative number of prematurely retired in Sweden as a percent of population in different age groups.

below age 60 also increased, although this age group was not covered by the legislation. (See figure 1). When these results started to emerge, I contacted colleagues in the other Nordic countries (Denmark, Finland and Norway). It turned out that these countries also were witnessing an increase in premature retirement due to disability, invalidity or whatever the term used. We started a comparative research project and found that between 1968 and 1972 the number of "prematurely" pensioned in four Nordic countries (Iceland was not included) had increased by 54% altogether. The increase had taken place in all four countries. In three of the four countries, the relative number of new pensioners peaked in 1972 and after that decreased a little. Several types of explanations have been offered in the course of debate (Berglind, 1978):

(1) Changes in legislation, or its interpretation, result in more persons becoming eligible for pensions.

(2) In increase in premature pensions reflects increased ill health among the population.

(3) It has become "more profitable" to be prematurely pensioned: therefore more people choose pensions over work.

(4) Social development has led to an increased need for pensions, for example, because of changes in the demand for labor.

Some changes in legislation had taken place in some of the countries, but they could hardly explain why the development had been so parallel. Such changes as the one in Sweden in 1970 can possibly explain why the increase was particularly sharp in Sweden between

1970 and 1972. To the extent that there were legal alterations, it may be interesting to find out what the underlying conditions were that led to an increased need for pensions, thus giving rise to the legal changes themselves. The second type of explanation, increased ill health, is not very convincing in explaining the short-term changes which had taken place. Why should increased ill health give rise to "pensioning" just at the turn of the decade and then diminish after 1972.[2]

The third type of explanation is not especially reasonable, when applied to short term changes. Contemporary sharp rises in pensions payments have scarcely occurred, nor have any drastic changes in wages taken place which could have made pensions more attractive than work. If we look at the development over a longer period of time, it is certainly true that pensions have increased more than wages. In the case of Sweden this has to do with the indexing of pensions, which make the pensions grow with inflation even at times when there may be a decrease in real wages. Another contributing factor is that the supplementary pension scheme is developing, thus making more persons eligible for a higher supplementary pension.

The fourth type of explanation has to do with diminishing possibilities for primarily older people to get or keep employment. I have already pointed out that there was a fairly high rate of unemployment at the end of the 60's, when the increase started. It should also be mentioned that in the four Nordic countries studied, unemployment peaked in 1972, i.e., the year with the

highest "pension rates."

In a separate study (Berglind, 1977), I investigated the regional variations in premature pensioning in Sweden using the 278 municipalities as the basic unit. In a series of regression analyses, using the percentage of disability pensioners in a population group in the municipalities as dependent variable, I found that the unemployment rate seemed to be a dominant explanatory factor. Other variables explaining the regional variations were the percentage of single persons, and the "relative pension income," measured as a percent of the average income from gainful employment in the municipality. Wadensjo (1983), a Swedish labor economist has found, in a more recent study, that unemployment may not be a very strong explanatory factor. According to his results, regional variations in disability pensions are a result of differences in the composition of the population rather than of unemployment.

There are probably a number of reasons for the differences in results. One may be the higher correlation between age, disability and unemployment which makes it difficult to separate one explanatory factor from the others. Another is that unemployment is not a very good indicator of difficulties in finding a job. If older workers who are unemployed get a premature pension this means that the rate of unemployment goes down, while the premature pension rate increases, thus lowering the correlation between these two factors. In forthcoming studies it would be better to use other indicators, such as the number of vacancies at the Labor Exchange

Offices.

Another fact supporting the hypothesis that labor market conditions are of special importance in explaining the increasing rate of premature retirement, is the very reason why the eligibility rules were liberalized--namely, the pensions would be a way of financially supporting older workers who had become unemployed or redundant in the Swedish labor market. Similar reasons have been given in other countries. The provision for a reduced pension before age 65 was introduced in the US for men in 1961. At that point in time the proponents stressed that "it would not serve as an inducement to early retirement, but, rather, would serve to primarily benefit older workers who have trouble getting a job because of ill health or the effects of the recession." (Tracey 1979).

5. Who gets a premature retirement pension?

In one study we used the Swedish population that had retired prematurely during the period 1971-76. We found that:

- The pension level increases with age for both men and women, a hardly surprising fact.
- Within each age group those married have a lower level of pensioning than those never married, the latter category having a lower level than those divorced or widowed.
- Within each age group, those with only a basic education have a higher pension rate than those with some higher education.
- In the age groups under 45 the pension rates were higher in the urban areas; in the age groups 45+, the rates were

higher in the rural areas, especially for the men.

Occupations with especially high pension rates were for the men: mining and quarrying, forestry, heavy manual work of other types and work in restaurants, bars, etc. The women had high levels of premature retirement in occupations such as heavy manual work, and textile work. Low rates were found for both men and women in administrative work, office work and in occupations demanding a higher education. These results hold when keeping age constant.

The higher overall rates in premature retirement among men were completely explained by differences between men and women with regards to occupational distribution. In comparable occupational categories, holding age constant, women as a rule had higher pension levels than men.

Two factors seemed to be of special importance in explaining the variation in premature retirement rates between occupations. The most important factor was the rate of occupational injuries. Both for men and women there was a considerable correlation between the premature retirement rate and the rate of occupational injuries.

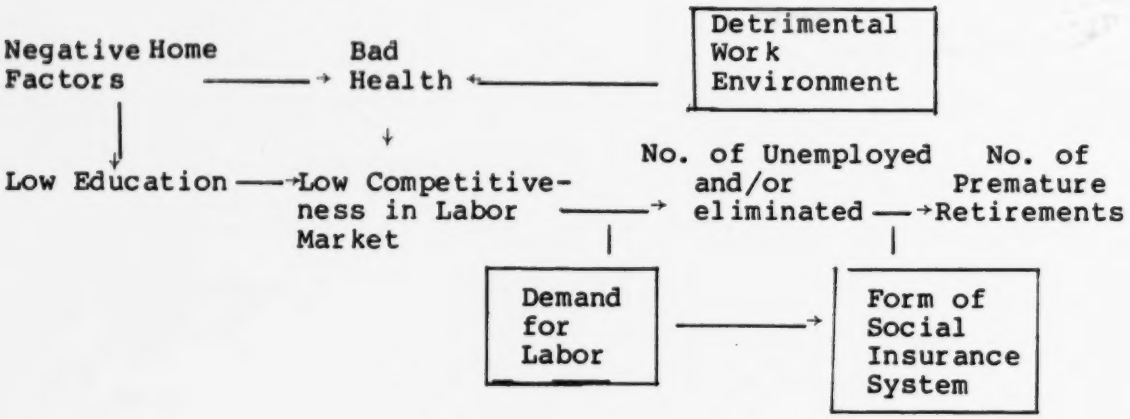
The second factor was the rate of expansion or decrease in different occupations. The hypothesis was that shrinking occupations would create more retirees.

This hypothesis was partly confirmed. We found a significant negative correlation for the men, but not for the women.

When comparing occupations in this way, one has to remember that certain selection mechanisms most certainly affect the outcome. A high retirement rate in an occupation, at least to some degree, may reflect the fact that it is the least competitive workers who end up in the least attractive occupations, which often are the ones with the worst working environment.

Even if the quality of the work environment explains a part of the variation in pension rates between occupations, it can hardly explain the increase in the number of early retirees. There is no reason to believe that the work environment in Sweden has grown worse in recent years. The number of people in occupations with detrimental working conditions has decreased rather than increased. The following figure is an attempt to explain (1) what kind of people that run the highest risk of leaving the labor market, and; (2) what environmental factors affect the number of people retiring prematurely (See figure 2). The environmental factors, i.e., detrimental work environment, demand for labor and the form of the social insurance system, have been put within boxes. The arrow between the latter factors refers to situations where, e.g., a low demand for older workers leads to more liberal rules for early retirement, etc.

Figure 2: Factors affecting premature retirement - number of disability pensioners



6. Government Policies.

The growing number of early retirees among older workers has led to policies trying to prevent people from dropping out of the labor force. When the before-mentioned partial pension scheme was adopted, the objective was not only to ease the transition from work life to a life as a pensioner, but also to diminish the health problems and the need for disability pensions. A study by Goran Crona shows that these objectives may have been achieved. The number of partial pensioners receiving a disability pension was lower than for people in the same age-group working full time. The partial pensioners lowered their number of days on sick-leave while the opposite was the case for those continuing to work full-time.

Another measure is the extensive legal protection against dismissal for older workers. A Security of Employment Act came

into effect in 1974. According to this, an employer can only dismiss an employee if there are "justifiable grounds," and generally only lack of work or certain specified offenses are accepted as reasons. Secondly, the law introduced longer periods of notice, ranging from one month for those below 25 up to six months for those 45 or above (Casey & Bruche, 1983). Thirdly, there are in case of dismissal because of lack of work, a seniority principle to the effect that those last hired have to leave first. Employees who have completed two years service and who get notice of dismissal are entitled to re-employment within one year, should the company once again start recruiting. These rules, however, can be modified by collective agreements between employers and unions. According to a government committee report it has become more and more frequent that, when a company is being restructured and reduces its work force, an agreement is made that will give priority to younger workers (SOU 1983:62, p. 134).

It should also be mentioned that the Security of Employment Act does not apply to those workers who are 65 years of age or above. According to most union contracts, they would be hired on a time-limited basis. At the end of such a period no notice has to be given.

Even if these measures have had some effect in making it possible for older people to stay on in their jobs until 65, it seems as if the lack of demand for older workers has been a stronger force acting in the opposite direction.

This is not surprising. For many years labor has been seen as a cost to be reduced. Maybe we have been too successful.

NOTES

1. A similar terminology was used in an earlier article (Berglind, 1977). In that article I used the term "redundant" instead of "eliminated" which I now prefer.

2. I shall use "premature retirement" to denote retirement before 65 under the Social Security Act for reasons of disability and, for people 60-64 also for "labor market reasons", i.e., lack of suitable jobs. Most people in the latter age group who retire prematurely do it, however, on disability grounds. Difficulties in finding a suitable employment probably plays a role in many of these cases as well.

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PENSION POLICY IN SWEDEN

1. A Brief History[1]

Industrialization started rather late in Sweden, i.e., in 1860-70. At that time Sweden was a poor country with a large rural proletariat. During the 50 years to follow, many people emigrated, a majority of these to the USA. The total number of emigrants has been estimated at 1.3 million. This should be compared to a total population in 1900 of approximately 5 million.

In the 1880's, the number of industrial workers had grown. Many of the workers were employed in mining and in forestry. It was in that decade that the German Imperial Government passed the first social insurance laws and it was in that decade that the Liberal member of the Swedish Parliament, Adolf Hedin, introduced a motion which had been called a "Source document of modern social policy in Sweden." Hedin was an intellectual arguing for liberal values: free trade, religious freedom, aid to the underprivileged and universal suffrage. Until 1866, Sweden had a "Riksdag" representing the four estates (the clergy, the nobility, the burgers and the farmers). There were general elections to the new parliament, but the right to vote was still restricted to people having assets or earning a certain income.

Hedin argued that rapid industrialization was creating problems which the poor laws were not able to cope with. Hedin, in his

speech to the Parliament, quoted a German authority who had said that it was important to "make the great majority of the working population interested in upholding the existing social organism." Hedin called for a state investigation to see what could be done to provide "accident and old age insurance to workers."

A committee was set up that recommended a system with compulsory coverage, but the proposal was turned down by an overwhelming majority. Other committees followed, but the Farmers and Conservatives also united to turn down the new proposals. The Social Democrats seem to have been rather ambivalent at that time. There probably was a fear among the Social Democrats that the workers might be too well integrated into existing society.

A new commission published a report, based on a thorough study of the international situation suggesting that "there would be universal contributory insurance for old age and invalidism, extending the German system from solely wage-earners to the entire population: (Heclo 1974). Social Democratic party leader Branting accepted the plan, although many of the party members thought that this was a piece of "bourgeois social policy." Other people feared that the new benefits would lessen self-help and reduce the worker's benefit and that it would be better to rely on the poor law for the aged. The civil minister replied that the fact that people made a contribution (the minimum contribution was 3 Krona, I.E., 50 cents per year) would make them feel entitled to the benefit, which they did not feel under the poor law.

The pension bill passed both houses of the Swedish parliament in 1913 and "the world's first universal old age pension system" had been born.

The pension act of 1913 remained substantially unaltered until 1935, and the benefits were very low. At the beginning of the 1920's the pension system was strongly criticized by Gosta Bagge, a conservative professor of economics and the director of the first Swedish School of Social Work, which had started in Stockholm in 1921. Bagge argued that state pensions were destroying private initiative and thrift and were economically dangerous - a recurrent conservative argument, it seems. The administrative body defended the system as did the Social Democrats who had won a victory at the 1924 election. They were not willing to cut pension benefits in spite of the burgeoning economic crisis.

A new pension committee report, published in 1934, showed that the pension benefits had reduced reliance on poor relief without discouraging private thrift. It was also pointed out that the pension amounts were too small for people to exist on. The Social Democrats, who had won an impressive victory in 1932 which was the beginning of the forty-four years stay in government, undertook some minor reforms. More far-reaching reforms were made impossible by the economic crisis. Minister of Social Affairs, Gustav Moller, fought hard to get an increase in the pension benefits after the second world war and to introduce price indexing, which was enacted from 1951.

Besides this basic pension scheme, other pension schemes were in operation. Government officers (employees) had a right to a pension from the age of 67. Originally they had the right to collect their salary until their death regardless of their performance at work. This system had, for obvious reasons, proved rather ineffective and was replaced by a government pension with an obligation to retire. Besides that, many private companies had pension schemes for their salaried employees. Many blue collar workers had no pension at all from their employers or a pension which was very low. There were growing demands for the same pension rights for manual workers as were enjoyed by salaried employees. The Swedish Trade Union Confederation (LO) became gradually sensitized to these demands and in 1947 Minister Gunnar Myrdal authorized establishment of an investigation into obligatory occupational pensions. LO urged a speedy solution, but the Employers Association (SAF) was against a fund-building by the state which they thought might discourage thrift and threaten the private capital market. They recommended a system based on negotiations between employers and unions. Several investigation committees were set up but no agreement could be reached.

The Conservative Party suggested an increase in the basic pension and got the support of the Farmers Party. The Social Democrats, who were at that time forming a government together with the Farmers Party, were afraid of breaking the coalition with them and they also expected a large number of white collar workers to go against state superannuation. The LO had to struggle hard to

convince the party leadership. A new commission was set up and was instructed to work out alternative ways of solving the question. Three alternatives were worked out for a referendum which was held in October, 1957.

Alternative 1 was a compulsory State superannuation for all wage earners. (It got 45.8% of the votes)

Alternative 2 was a voluntary occupational insurance with the State guaranteeing its real value. This alternative, which was favored by the Farmers Party, got 15.0% of the votes.

Alternative 3, a voluntary occupational insurance, was supported by the Conservative and Liberal parties and also by the SAF. It received 35.3% of the votes.

The outcome of the referendum was interpreted in different ways. The Farmers Party left the government which resigned. A new election took place in 1958. The Social Democrats won five more seats, but the situation was very even. It was only after a Liberal MP decided not to vote along the party line that the pension proposed was approved by the second chamber by 115 to 114.

The plan became law in 1959 and the supplementary pension system became a fact.

2. The present old age pension systems.

Today's Swedish old age pension system has three tiers: 1) Basic pension, 2) Supplementary state pension (ATP), and; 3) Additional pensions through union contracts. In addition, a person can, of course, buy a private pension insurance (tax-deferred) which for high income earners can be a way of transfer-

ring income to a later age when the marginal tax rate would be more favorable. There is also a partial pension scheme, which we shall deal with separately.

The basic pension is paid from the age of 65, irrespective of earlier income. Pension benefits are reduced for retirement before age 65 and augmented for retirement after age 65. Persons whose work capacity has been reduced by at least half can obtain the basic pension as a disability pension. Widows pension and child pension are also available. A single person will receive 96% of the basic amount (20,300 Crowns in January 1984) and a couple will receive 157%. In addition to that, persons receiving little or no supplementary pensions (ATP) will receive a pension supplement over and above basic pensions. Those having a low ATP pension will also be entitled to a housing-allowance. This is an income tested benefit which is paid by the local government with subsidies from a national state grant.

The basic pension plus the pension supplement adds up to 29.232 Crowns for a single old age pensioner and to 51.359 Crowns for a couple. An unmarried disability pensioner receiving no ATP will get 38.976 Crowns. These amounts will be free of tax, but if a person earns a higher income it will be taxed.

The supplementary pension (ATP)

Old age pensions from ATP amounts to 60% of the yearly earnings, based on the average earnings during the 15 best paid years. There is an upper limit at 7.5 times the basic amount, which is indexed. This means that a person can get up to 60% of 152.250

Crowns in 1984. To get a full ATP pension, a person has to have worked for a minimum of 30 years (20 for those born in 1896-1914).

The ATP can be paid as a part of a disability pension. Widow's and child pensions are also a part of this system.

Negotiated pensions

In addition to the above mentioned pension, a person will, as a rule, receive a certain amount according to a labor-management contract. These contracts vary but they will, as a rule, guarantee a person some additional 5-10% on his ATP plus 65% of incomes above the ATP-ceiling of 7.5 times the basic amount.

3. Partial Pensions.

A partial pension scheme, which was introduced in 1976, the same year as the pension age was lowered from 67 to 65, has attracted great international interest. A gainfully employed person between the ages of 60 and 65 can reduce his or her number of working hours and receive a partial pension, under both the basic and the ATP pension schemes. To be entitled to such a pension, a person shall: 1) have earned 10 years of credits after the age of 45, 2) have been employed for at least 5 out of the last 12 months, and; 3) have worked at least 22 hours per week immediately before making a claim.

The weekly hour of work can be reduced by at least 5 hours to no less than 17 hours per week. When this pension plan was introduced, the Government undertook to replace 65% of the wage loss, without reducing the size of the regular pension received at

age 65. In 1981, the nonsocialist government, which had replaced the Social Democrats in 1976, reduced the compensation level from 65 to 50% due to the growing cost of this popular program. The present social democratic Minister of Social Affairs has declared in mid-1984 that the original level of compensation shall be restored.

In 1980, when the partial pension scheme had been in operation for four years, 27% of these entitled to get such a pension, were receiving it. In 1981, when the benefit level had been lowered, the number of new applications dropped drastically. In 1983 it was estimated that 21% of those entitled received a partial pension.

Goran Crona, who has made an evaluation study of the partial pension scheme, found that a large majority of those receiving partial pensions were very positive about this pension plan. Eighty percent thought that the gradual retirement would make the transition from work to retirement easier. Absence from work due to sickness was less frequent than in a comparable group working full-time, and so was disability retirement. As some of the objectives of the partial pension reform was to lower the risk of health problems and of premature full retirement and also to ease the transition from working life to retirement, the reform must be assessed as very successful. The problem was rather that it became too popular at a time of adverse economic climate.

4. The cost and financing of the pension schemes[2]

The cost of the social welfare program in Sweden has increased steadily since the beginning. In 1900 Sweden spent 1.3 percent of its GNP on social welfare. Fifty years later the percentage figure was 14.3 percent and in 1980 32.6%. Since then it has declined slightly, stopping short at 32% in 1982.

Some comparative figures are available for different countries for 1974. That year social security expenditure in Sweden amounted to 24.4% (of GDP) which, at the time, was the second highest figure in the world after the Netherlands. The corresponding figure for the USA was only 12.5%. The larger proportion in Sweden was not just because of higher benefits for any one program, but also because of more types of programs.

A large part of the welfare expenditure goes into social insurance programs of which the pension schemes are the most important. Each program share of the total social insurance expenditures can be seen from the following figure:

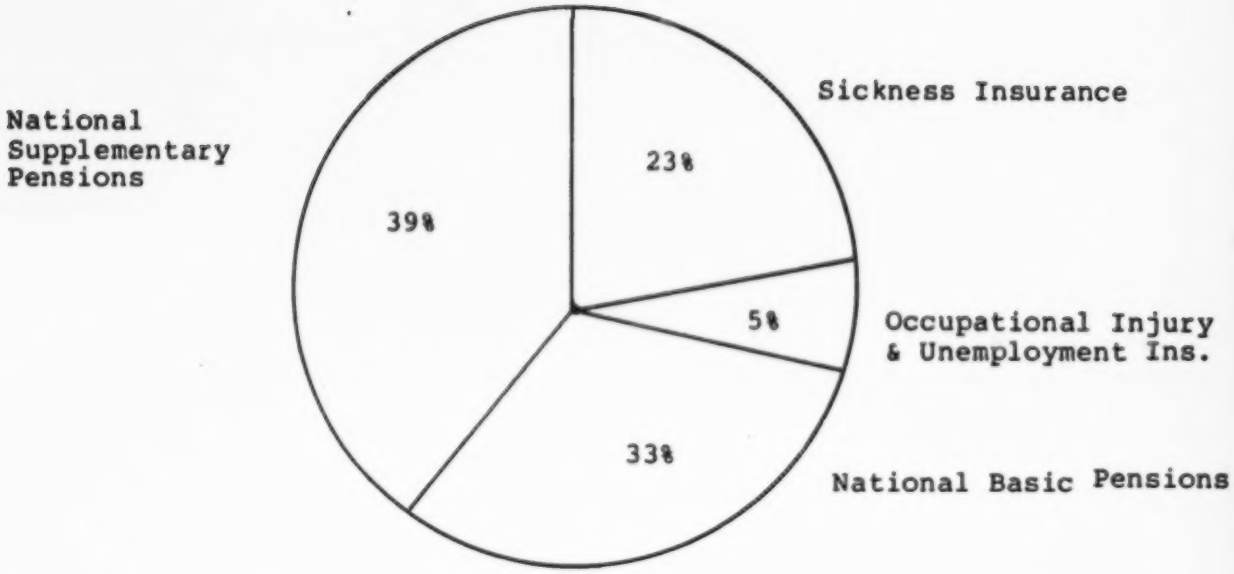

Figure 1 Relative cost of five branches of social insurance in 1982. Source: The Cost and Financing of the Social Services in Sweden in 1982. (Statistics Sweden)

Social insurance is mainly financed by means of the social insurance contributions paid by employers. These contributions account for the entire financing of ATP and partial pension insurance, and 77% of basic pension costs. The remaining costs come from public funds, i.e., tax revenues.

There are a number of reasons for the growing cost of pensions in Sweden. The main ones are successive reforms leading to higher benefit levels, the maturing of the ATP system, and an aging population.

The real values of basic pensions (for a single person) increased by 3.5 times between 1949 and 1984. The ATP system is gradually expanding as the number of people entitled to full ATP

benefits grows. The number of people receiving supplementary pension benefits increased from 68,900 in 1965 to 965,300 in 1980, while the number of basic pensioners increased from 881,900 to 1,656,000 during the same period. Out of the latter figure, 1.3 million received old age pension, while 300 thousand received disability pension.

A growing part of the Swedish population is in the 65+ age group. At the beginning of the century 8.4% of the population was 65 or older. In 1980 this figure had almost doubled to 16.4%. This is internationally a very high figure to be compared with "only" 11% of the US population. With an aging population also in the US, this difference can be expected to diminish in the future. The Swedish proportion, incidentally, is about the same as for the State of Florida.

The relative number of old-age pensioners in Sweden is expected to be relatively constant until the year 2000. After that we can expect some increase. Within the group of old people we can, however, expect a growth of the old-old, e.g., the 85+ population. This age group will increase by almost 80% till the year 2000. This increase will not raise the cost of pensions but it will increase the cost of social and health services to the aged that increase sharply with high age.

5. Can the Swedes Afford Their Pensions?

The increasing cost of pensions in combination with a stagnating economy led to a discussion of the pension system in Sweden

as well as in many other countries, towards the end of the 1970's. The national Social Insurance Board estimated that the ATP-funds would run out of money at the beginning of the 2000's if the employer's contribution to these funds were not increased. The SAF protested against such an increase but the parliament decided for a gradual increase by one percent over a four year period. An employer from 1984 pays 10 percent on his total salary and wage budget into the ATP-funds.

One reason for discussion was also the fact that while pensioners through the index system got a steady increase in their real income, the wage earners were faced with a very unfavorable wage development. The LO has estimated that the real earnings of an industrial worker went down by some 10 percent between 1976 and 1983. The stagnation of the wages was mentioned as one of the reasons the non-socialist government decided to cut back on some of the benefits from 1981. Besides the before mentioned reduction of the level of compensation to the partial pensioners, the indexing system of the basic amount was changed to exclude indirect taxes and energy costs; the basic amount was to be recalculated once a year instead of once a month; and the state contribution to the housing allowance scheme was also reduced somewhat.

These changes, however marginal they might seem, were heavily criticized by the social democratic opposition. The pension benefits became an important issue in the 1982 election as the leader of the opposition, Olof Palme, promised to restore the pension benefits if he came back to power. Since then, some

improvement of the benefits have taken place.

LO has strongly defended the present pension system. The criticism of the rising pension cost was largely seen as conservative attack on the ATP in order to have it replaced by a system where everyone pays for his or her own future pension. A study of the pensioners' income, made by an LO committee, showed that ATP has been of dramatic importance in leveling the differences in pension amounts between manual workers and salaried employees.

As part of an international project on pension age policy, initiated by Harold Sheppard, (now at the University of South Florida), a group of Swedish policy makers gathered in Stockholm in 1980 to discuss future pension policy in Sweden. At that meeting it was pointed out that one possible way of reducing the tensions created by a growing pension standard at a time of stagnating or declining real wages would be to relate the pension index to wages rather than prices. Representatives from the pensioners organizations seemed to support such an idea. The indexing system is still under discussion and I would not be surprised if a wage index or a combined price-wage index would be introduced in the future.

It has also been suggested that a higher pension age would be a way of reducing the increase of the pension costs. I do not forsee any change in that direction in Sweden. There are several reasons for that. One is that the pension age was lowered from 67 to 65 in 1976. Sixty-five has been established as a retirement age and the pensioners themselves seem to favor this age limit. They

think they should leave their jobs to younger people, especially at a time of comparatively high youth unemployment.

NOTES

1. This section is based mainly on Helco (1974).

2. I am indebted to Jan Nasensius for letting me share his manuscript "Swedish Social Policy in an Adverse Economic Climate" containing many useful statistical data that I have quoted in this and the following section.

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